

TOWN OF ACTON, MASSACHUSETTS

Financial Statements

June 30, 2010

(With Accountants' Report Thereon)

Town of Acton, Massachusetts
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Town of Acton, Massachusetts
For the Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Acton, Massachusetts as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Acton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Acton, Massachusetts as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated April 14, 2011 on our consideration of the Town of Acton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison information, the retirement system schedules and the GASB 45 schedules listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Acton, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Giusti, Hingston and Company
Giusti, Hingston and Company
Certified Public Accountants
April 14, 2011

Town of Acton, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2010

As management of the Town of Acton, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Acton, Massachusetts for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Town of Acton, Massachusetts exceeded its liabilities at the close of the most recent fiscal year by \$165,111,354 (*net assets*).
- The government's total net assets decreased by \$1,239,806. The Governmental Activities decreased by \$631,863. The business type activities decreased by \$607,943.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$6,457,742, or 8.3% of total general fund expenditures.
- The Town of Acton, Massachusetts' total long term debt decreased by \$666,571 or 1.5% during the current year. The change is attributed to an increase in the Governmental Activities (\$20,998 or 0.1%) and a decrease in the Business-type Activities (\$687,569 or 3.4%). A considerable amount of the Business-type activity debt will be funded by betterment revenues.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the Town of Acton, Massachusetts' basic financial statements. The Town of Acton, Massachusetts' basic financial statements consists of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Acton, Massachusetts' finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the Town of Acton, Massachusetts' assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Acton, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-Type Activities** - Activities reported here are for sanitation, nursing services and sewer operations. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Acton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Acton, Massachusetts can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The Town of Acton, Massachusetts maintains three proprietary (enterprise) fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Acton, Massachusetts uses enterprise funds to account for its sanitation, nursing services and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise fund. All three funds are considered to be major funds of the Town of Acton, Massachusetts.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net assets. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. However, the net assets of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not, typically, used to finance costs related to business-type activities. Revenues of the business-type activities are generally used to finance the operations of the Sanitation, Nursing and Sewer enterprise funds.

The following table reflects the condensed net assets for the past two fiscal years. Fiscal year 2009 amounts have been adjusted to reflect prior period adjustments made during fiscal year 2010.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 43,114,798	\$ 29,243,593	\$ 24,713,126	\$ 8,967,550	\$ 67,827,924	\$ 38,211,143
Capital Assets	135,445,840	148,200,020	21,107,837	38,136,996	156,553,677	186,337,016
Total Assets	<u>178,560,638</u>	<u>177,443,613</u>	<u>45,820,963</u>	<u>47,104,546</u>	<u>224,381,601</u>	<u>224,548,159</u>
Current Liabilities	5,165,946	7,552,711	1,026,803	1,155,024	6,192,749	8,707,735
Long Term Liabilities	33,831,874	29,693,221	19,245,624	19,793,043	53,077,498	49,486,264
Total Liabilities	<u>38,997,820</u>	<u>37,245,932</u>	<u>20,272,427</u>	<u>20,948,067</u>	<u>59,270,247</u>	<u>58,193,999</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	110,395,091	110,057,606	1,510,488	1,318,690	111,905,579	111,376,296
Restricted	14,945,567	9,815,277	18,216,963	-	33,162,530	9,815,277
Unrestricted	14,222,160	20,321,798	5,821,085	24,837,789	20,043,245	45,159,587
Total Net Assets	<u>\$ 139,562,818</u>	<u>\$ 140,194,681</u>	<u>\$ 25,548,536</u>	<u>\$ 26,156,479</u>	<u>\$ 165,111,354</u>	<u>\$ 166,351,160</u>

The net assets of the Town decreased by \$1,239,806. The net assets of the governmental activities decreased by \$631,863 or 0.44% and the net assets of the business-type activities decreased by \$607,943 or less than 2.3%.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net assets have changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 3,714,987	\$ 3,017,507	\$ 2,376,051	\$ 2,520,436	\$ 6,091,038	\$ 5,537,943
Operating Grants and Contributions	11,933,644	11,040,558	837,487	91,878	12,771,131	11,132,436
Capital Grants and Contributions	513,776	842,681	-	797,613	513,776	1,640,294

Changes in Net Assets (Continued)

	<u>Governmental Activities</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Revenues:						
Property Taxes	64,514,109	61,358,057	-	-	64,514,109	61,358,057
Motor Vehicle and Other Excises	2,607,181	2,449,134	-	-	2,607,181	2,449,134
Intergovernmental Not Restricted to a Specific Program	1,324,707	2,942,724	-	-	1,324,707	2,942,724
Other	485,374	484,824	-	-	485,374	484,824
Total Revenues	85,093,778	82,135,485	3,213,538	3,409,927	88,307,316	85,545,412
Expenses						
General Government	7,723,442	7,499,846	-	-	7,723,442	7,499,846
Public Safety	6,719,393	7,280,663	-	-	6,719,393	7,280,663
Education	55,527,097	50,645,080	-	-	55,527,097	50,645,080
Highways and Public Works	3,409,695	2,971,877	-	-	3,409,695	2,971,877
Human Services	1,442,893	1,932,660	-	-	1,442,893	1,932,660
Culture and Recreation	1,756,220	1,199,756	-	-	1,756,220	1,199,756
Employee Benefits	8,257,314	11,641,091	-	-	8,257,314	11,641,091
Debt Service	915,272	1,138,519	-	-	915,272	1,138,519
Sanitation	-	-	620,004	536,781	620,004	536,781
Sewer	-	-	2,427,828	2,370,246	2,427,828	2,370,246
Nursing	-	-	773,649	767,263	773,649	767,263
Total Expenses	85,751,326	84,309,492	3,821,481	3,674,290	89,572,807	87,983,782
Increase (Decrease) in Net Assets						
Before Special Items and Transfers	(657,548)	(2,174,007)	(607,943)	(264,363)	(1,265,491)	(2,438,370)
Special Items:						
Gain (Loss) Sale of Assets	(29,365)	-	-	-	(29,365)	-
Other	60,000	-	-	-	60,000	-
Transfers In (Out)	(4,950)	635,000	-	(635,000)	(4,950)	-
Increase (Decrease) in Net Assets	\$ (631,863)	\$ (1,539,007)	\$ (607,943)	\$ (899,363)	\$ (1,239,806)	\$ (2,438,370)

Governmental Activities

In fiscal year 2010, property taxes accounted for approximately 76% of the revenues. In fiscal years 2009 and 2008 they accounted for 74% and 74% of the revenues.

Business-type Activities

Enterprise fund rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

General Fund – The year-end fund balances of the general fund were \$424,797 more than the prior year. In fiscal year 2009, the fund balances of the general fund increased by \$1,136,866.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund “fund balance” available for appropriation. In general, this amount (commonly known as “free cash”) is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The Town’s certified free cash as of June 30 2010 was \$4,650,574.

The following table reflects the trend in all the components of fund balance for the previous three fiscal years.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Petty Cash</u>	<u>Designated for Subsequent Year's Expenditure</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2008	\$ 3,186,756	\$ -	\$ 486,850	\$ 5,058,209	\$ 8,731,815
2009	3,353,740	-	1,167,330	5,347,611	9,868,681
2010	2,568,211	1,100	1,266,424	6,457,742	10,293,477

Proprietary Funds

Enterprise Funds. The Town of Acton, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sanitation Enterprise Fund at the end of the year was \$4,399,416. Unrestricted net assets of the sewer enterprise fund at the end of the year was \$1,215,737. Unrestricted net assets of the Nursing Enterprise Fund at year end was \$205,932.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget were due primarily to special Town meetings and reserve fund transfers.

Capital Asset and Debt Administration

Capital assets. The Town of Acton, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2010, amounts to \$156,553,677 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- Road Projects (\$797,776).
- Ladder Fire Truck (\$777,574).
- Rescue Pumper Fire Engine (\$524,984).
- Vehicles (\$242,116).

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 66,989,385	\$ 66,950,467	\$ 534,769	\$ 534,769	\$ 67,524,154	\$ 67,485,236
Construction in Progress	-	844,315	-	-	-	844,315
Buildings	30,715,930	30,586,614	7,352,107	7,692,510	38,068,037	38,279,124
Improvements Other Than Buildings	1,415,554	1,513,755	46,153	48,593	1,461,707	1,562,348
Infrastructure	32,683,231	32,712,467	12,593,665	12,985,283	45,276,896	45,697,750
Equipment	3,058,923	1,871,615	520,780	426,218	3,579,703	2,297,833
Vehicles	582,817	597,826	60,363	76,009	643,180	673,835
Total	<u>\$ 135,445,840</u>	<u>\$ 135,077,059</u>	<u>\$ 21,107,837</u>	<u>\$ 21,763,382</u>	<u>\$ 156,553,677</u>	<u>\$ 156,840,441</u>

Debt

The Town had \$44,956,829 in bonds, outstanding on June 30, 2010. This represents a \$666,576 or 1.5% decrease from the previous year.

The Town's bond rating by Standard and Poor's is AAA.

<u>Governmental Activities</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds Payable	\$ 25,199,706	\$ 25,178,708
<u>Business-type Activities</u>		
Sewer	19,757,123	20,444,692
Total Debt	<u>\$ 44,956,829</u>	<u>\$ 45,623,400</u>

Fiscal Year 2011 Budget

An initiative state statute, commonly known as "Proposition 2 ½", limits the amount of property taxes that Town can assess in any one year. In general, the Town's property tax levy may increase by 2 ½ percent over the prior year's tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by "Proposition 2 ½", it is necessary to obtain the approval of a majority of the voters at an election.

The Town's budget for fiscal year 2011 is \$84,675,585. Although the Town utilized reserves to help fund the 2011 budget, a healthy "free cash" balance remained as of June 30, 2010.

Town of Acton, Massachusetts
Statement of Net Assets
June 30, 2010
(Continued on Page 10)

	<u>Governmental</u> <u>Activities</u>	<u>Business - Type</u> <u>Activities</u>	<u>Government-</u> <u>Wide</u> <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 26,423,572	\$ 8,349,447	\$ 34,773,019
Petty Cash	1,100	-	1,100
Accounts Receivable:			
Property Taxes	376,571	-	376,571
Tax Liens	1,352,934	-	1,352,934
Excises	157,455	-	157,455
User Charges	165,017	160,843	325,860
Special Assessments	106,463	711,510	817,973
Departmental	49,114	-	49,114
Intergovernmental	1,718,015	-	1,718,015
Liens	-	69,544	69,544
Prepaid Expenditures	479,473	-	479,473
Noncurrent:			
Accounts Receivable:			
Intergovernmental	12,111,711	-	12,111,711
Deferred Property Taxes	173,373	-	173,373
Deferred Special Assessments	-	15,421,782	15,421,782
Capital Assets:			
Assets Not Being Depreciated	66,989,385	534,769	67,524,154
Assets Being Depreciated, Net	68,456,455	20,573,068	89,029,523
Total Assets	<u>178,560,638</u>	<u>45,820,963</u>	<u>224,381,601</u>
Liabilities			
Current:			
Warrants Payable	499,874	57,188	557,062
Accrued Salaries Payable	973,636	28,920	1,002,556
Unearned Income	-	90,280	90,280
Other Liabilities	992,434	-	992,434
Accrued Interest	358,126	140,692	498,818
Bonds Payable	2,009,876	709,723	2,719,599
Notes Payable	332,000	-	332,000
Noncurrent:			
Compensated Absences	1,908,473	25,355	1,933,828
Unearned Income	-	90,812	90,812
Bonds Payable	23,189,830	19,047,400	42,237,230
Landfill Closure/Postclosure	62,500	-	62,500
Other	3,097,536	-	3,097,536
Other Post Employment Benefit Obligations	5,573,535	82,057	5,655,592
Total Liabilities	<u>38,997,820</u>	<u>20,272,427</u>	<u>59,270,247</u>

Town of Acton, Massachusetts
Statement of Net Assets
June 30, 2010
(Continued from Page 9)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government- Wide Total</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	110,395,091	1,510,488	111,905,579
Restricted for:			
Debt Service	-	18,216,963	18,216,963
Special Revenue	11,739,052	-	11,739,052
Perpetual Funds:			
Expendable	1,479,395	-	1,479,395
Nonexpendable	1,727,120	-	1,727,120
Unrestricted	14,222,160	5,821,085	20,043,245
Total Net Assets	<u>\$ 139,562,818</u>	<u>\$ 25,548,536</u>	<u>\$ 165,111,354</u>

Town of Acton, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Primary Government:							
<i>Governmental Activities:</i>							
General Government	7,723,442	721,958	850,224	-	(6,151,260)	-	(6,151,260)
Public Safety	6,719,393	929,412	246,574	-	(5,543,407)	-	(5,543,407)
Education	55,527,097	1,244,888	10,236,649	-	(44,045,560)	-	(44,045,560)
Highways and Public Works	3,409,695	1,000	396,044	513,776	(2,498,875)	-	(2,498,875)
Human Services	1,442,893	355,796	135,613	-	(951,484)	-	(951,484)
Culture and Recreation	1,756,220	461,933	68,540	-	(1,225,747)	-	(1,225,747)
Employee Benefits	8,257,314	-	-	-	(8,257,314)	-	(8,257,314)
Debt Service	915,272	-	-	-	(915,272)	-	(915,272)
Total Governmental Activities	<u>85,751,326</u>	<u>3,714,987</u>	<u>11,933,644</u>	<u>513,776</u>	<u>(69,588,919)</u>	<u>-</u>	<u>(69,588,919)</u>
<i>Business-Type Activities:</i>							
Sanitation	620,004	609,125	26,978	-	-	16,099	16,099
Sewer	2,427,828	1,090,808	809,498	-	-	(527,522)	(527,522)
Nursing	773,649	676,118	1,011	-	-	(96,520)	(96,520)
Total Business-Type Activities	<u>3,821,481</u>	<u>2,376,051</u>	<u>837,487</u>	<u>-</u>	<u>-</u>	<u>(607,943)</u>	<u>(607,943)</u>
Total Primary Government	<u>89,572,807</u>	<u>6,091,038</u>	<u>12,771,131</u>	<u>513,776</u>	<u>(69,588,919)</u>	<u>(607,943)</u>	<u>(70,196,862)</u>
<i>General Revenues:</i>							
Property Taxes					64,514,109	-	64,514,109
Motor Vehicle and Other Excise Taxes					2,607,181	-	2,607,181
Penalties and Interest on Taxes					129,092	-	129,092
Other Taxes, Assessments and in Lieu Payments					11,934	-	11,934
Intergovernmental					1,324,707	-	1,324,707
Interest and Investment Income					196,502	-	196,502
Other Revenue					90,486	-	90,486
Contributions to Permanent Funds					57,360	-	57,360
Special Items:							
Gain (Loss) on Disposal of Asset					(29,365)	-	(29,365)
Capital Assets Transferred to/from Other					60,000	-	60,000
Transfer In (Out)					(4,950)	-	(4,950)
Total General Revenues, Special Items and Transfers					<u>68,957,056</u>	<u>-</u>	<u>68,957,056</u>
Change in Net Assets					(631,863)	(607,943)	(1,239,806)
<i>Net Assets:</i>							
Beginning of the Year					<u>142,769,969</u>	<u>26,427,853</u>	<u>169,197,822</u>
Prior Year Adjustment					(2,575,288)	(271,374)	(2,846,662)
Beginning of the Year as Restated					<u>140,194,681</u>	<u>26,156,479</u>	<u>166,351,160</u>
End of the Year					<u>139,562,818</u>	<u>25,548,536</u>	<u>165,111,354</u>

Town of Acton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2010

(Continued on Page 13)

<u>Assets</u>	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash/Investments	\$ 10,973,125	\$ 5,327,815	\$ 10,122,632	\$ 26,423,572
Petty Cash	1,100	-	-	1,100
Accounts Receivable:				
Property Taxes	372,415	4,156	-	376,571
Tax Liens	1,344,478	7,898	558	1,352,934
Excises	157,455	-	-	157,455
User Charges	-	-	165,017	165,017
Deferred Property Taxes	173,373	-	-	173,373
Special Assessments	-	-	106,463	106,463
Departmental	1,909	-	47,205	49,114
Intergovernmental	13,121,021	-	708,705	13,829,726
Prepaid Expenditures	479,473	-	-	479,473
Tax Foreclosures	539,968	-	-	539,968
Total Assets	<u>\$ 27,164,317</u>	<u>\$ 5,339,869</u>	<u>\$ 11,150,580</u>	<u>\$ 43,654,766</u>

Liabilities and Fund Balances

Liabilities:				
Warrants Payable	\$ 464,817	\$ -	\$ 35,057	\$ 499,874
Accrued Payroll Payable	846,668	-	126,968	973,636
Other Liabilities	-	-	889,846	889,846
Notes Payable	-	-	332,000	332,000
Deferred Revenue:				
Property Taxes	221,151	4,156	-	225,307
Departmental	1,909	-	47,204	49,113
Deferred Property Taxes	173,373	-	-	173,373
Tax Liens	1,344,478	7,898	558	1,352,934
Excises	157,455	-	-	157,455
Special Assessment	-	-	106,463	106,463
Tax Foreclosures	539,968	-	-	539,968
User Charges	-	-	165,017	165,017
Intergovernmental	13,121,021	-	697,445	13,818,466
Total Liabilities	<u>16,870,840</u>	<u>12,054</u>	<u>2,400,558</u>	<u>19,283,452</u>

Town of Acton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2010

(Continued from Page 12)

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Equity:				
Fund Balances:				
Reserved for Encumbrances	2,568,211	43,404	258,214	2,869,829
Reserved for Petty Cash	1,100	-	-	1,100
Reserved for Perpetual Permanent Funds	-	-	1,727,120	1,727,120
Unreserved:				
Designated for:				
Subsequent Year's Expenditures	1,266,424	-	90,618	1,357,042
Undesignated, Reported in:				
General Fund	6,457,742	-	-	6,457,742
Special Revenue Fund	-	5,284,411	5,045,725	10,330,136
Capital Projects Fund	-	-	148,950	148,950
Permanent Fund	-	-	1,479,395	1,479,395
Total Fund Balances	<u>10,293,477</u>	<u>5,327,815</u>	<u>8,750,022</u>	<u>24,371,314</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 27,164,317</u></u>	 <u><u>\$ 5,339,869</u></u>	 <u><u>\$ 11,150,580</u></u>	 <u><u>\$ 43,654,766</u></u>

Town of Acton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2010

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 63,383,976	\$ 746,873	\$ -	\$ 64,130,849
Tax Liens	372,152	-	-	372,152
Excises	2,514,503	-	-	2,514,503
Penalties and Interest	185,509	-	-	185,509
Licenses and Permits	196,224	-	-	196,224
Fees and Other Departmental	473,940	-	-	473,940
Intergovernmental	11,027,961	250,473	2,000,747	13,279,181
Charges for Services	23,779	-	3,283,896	3,307,675
Fines and Forfeits	152,218	-	-	152,218
Earnings on Investments	196,502	30,321	58,953	285,776
In Lieu of Taxes	11,934	-	-	11,934
Contributions	-	-	743,102	743,102
Miscellaneous	138,774	-	-	138,774
Total Revenues	<u>78,677,472</u>	<u>1,027,667</u>	<u>6,086,698</u>	<u>85,791,837</u>
<u>Expenditures:</u>				
Current				
General Government	5,826,569	254,021	1,664,567	7,745,157
Public Safety	6,126,097	-	2,013,680	8,139,777
Education	52,651,004	-	2,919,588	55,570,592
Intergovernmental	232,927	-	-	232,927
Highways and Public Works	2,529,100	-	406,749	2,935,849
Human Services	1,100,611	-	346,034	1,446,645
Culture and Recreation	1,167,196	-	435,333	1,602,529
Employee Benefits	5,455,257	-	-	5,455,257
Debt Service	2,857,793	-	-	2,857,793
Total Expenditures	<u>77,946,554</u>	<u>254,021</u>	<u>7,785,951</u>	<u>85,986,526</u>
Excess of Revenues Over (Under) Expenditures	<u>730,918</u>	<u>773,646</u>	<u>(1,699,253)</u>	<u>(194,689)</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	201,629	581	573,253	775,463
Operating Transfers (Out)	(507,750)	(45,038)	(227,625)	(780,413)
Proceeds from Refunding Bonds	2,265,000	-	-	2,265,000
Reoffering Premium and Interest on Refunding Bonds	116,867	-	-	116,867
Payments to Refunding Agent	(2,381,867)	-	-	(2,381,867)
Proceeds from Bonds	-	-	1,880,280	1,880,280
Total Other Financing Sources (Uses)	<u>(306,121)</u>	<u>(44,457)</u>	<u>2,225,908</u>	<u>1,875,330</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>424,797</u>	<u>729,189</u>	<u>526,655</u>	<u>1,680,641</u>
Fund Balance, Beginning	9,868,680	4,598,626	8,223,367	22,690,673
Fund Balance, Ending	<u>\$ 10,293,477</u>	<u>\$ 5,327,815</u>	<u>\$ 8,750,022</u>	<u>\$ 24,371,314</u>

Town of Acton, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Assets
 Fiscal Year Ended June 30, 2010

Total governmental fund balances	\$ 24,371,314
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	135,445,840
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	16,588,096
Amount included in deferred revenue for tax foreclosures. The tax foreclosures are included as fixed assets (not accounts receivable) on the statement of net assets.	(539,968)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(25,199,706)
Accrued Interest on Bonds	(358,126)
Compensated Absences	(1,908,473)
Other Liabilities	(3,200,124)
Landfill Closure/Postclosure Costs	(62,500)
Other Post Employment Benefit Obligations	<u>(5,573,535)</u>
Net assets of governmental activities	<u><u>\$ 139,562,818</u></u>

Town of Acton, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2010

Net change in fund balances - total governmental funds	\$ 1,680,641
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents the difference between capital outlay and depreciation.	398,147
In the statement of activities, the gain or (loss) on the disposal of capital assets is reported whereas in the governmental funds, the gain or (loss) is not reported.	(29,365)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue from the prior fiscal year.	(698,059)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount reflects the net effect of these differences in the treatment of long-term debt and related items.	(80,998)
Some expenses reported in the Statement of Activities, such as compensated absences, other post employment benefits payable and interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in these accounts from the prior fiscal year.	<u>(1,902,229)</u>
Change in net assets of governmental activities	<u><u>\$ (631,863)</u></u>

Town of Acton, Massachusetts
Proprietary Funds
Statement of Net Assets
June 30, 2010

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Assets				
Current:				
Cash and Cash Investments	\$ 4,423,139	\$ 3,669,871	\$ 256,437	\$ 8,349,447
Accounts Receivable, Net of Allowance for Uncollectible:				
User Charges	-	103,337	57,506	160,843
Special Assessments	-	711,510	-	711,510
Tax Liens	-	69,544	-	69,544
Noncurrent:				
Accounts Receivable:				
Deferred Special Assessments	-	15,421,782	-	15,421,782
Assets Not Being Depreciated	435,300	99,469	-	534,769
Assets Being Depreciated, Net	706,628	19,866,440	-	20,573,068
Total Assets	<u>5,565,067</u>	<u>39,941,953</u>	<u>313,943</u>	<u>45,820,963</u>
Liabilities				
Current:				
Warrants Payable	8,699	37,284	11,205	57,188
Accrued Wages Payable	4,580	1,888	22,452	28,920
Unearned Income	-	90,280	-	90,280
Accrued Interest Payable	-	140,692	-	140,692
Bonds Payable	-	709,723	-	709,723
Noncurrent:				
Unearned Income	-	90,812	-	90,812
Bonds Payable	-	19,047,400	-	19,047,400
Compensated Absences	5,636	420	19,299	25,355
Other Post Employment Benefit Obligations	4,808	22,194	55,055	82,057
Total Liabilities	<u>23,723</u>	<u>20,140,693</u>	<u>108,011</u>	<u>20,272,427</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,141,928	368,560	-	1,510,488
Restricted for:				
Debt Service	-	18,216,963	-	18,216,963
Unrestricted	4,399,416	1,215,737	205,932	5,821,085
Total Net Assets	<u>\$ 5,541,344</u>	<u>\$ 19,801,260</u>	<u>\$ 205,932</u>	<u>\$ 25,548,536</u>

Town of Acton, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2010

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 609,125	\$ 1,090,808	\$ 676,118	\$ 2,376,051
Total Operating Revenues	<u>609,125</u>	<u>1,090,808</u>	<u>676,118</u>	<u>2,376,051</u>
Operating Expenditures:				
General Services	508,773	643,996	773,649	1,926,418
Depreciation	<u>111,231</u>	<u>729,314</u>	<u>-</u>	<u>840,545</u>
Total Operating Expenditures	<u>620,004</u>	<u>1,373,310</u>	<u>773,649</u>	<u>2,766,963</u>
Operating Income	<u>(10,879)</u>	<u>(282,502)</u>	<u>(97,531)</u>	<u>(390,912)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental	-	789,490	-	789,490
Earnings on Investments	26,978	20,008	1,011	47,997
Interest on Debt	<u>-</u>	<u>(1,054,518)</u>	<u>-</u>	<u>(1,054,518)</u>
Total Nonoperating Revenues (Expenses)	<u>26,978</u>	<u>(245,020)</u>	<u>1,011</u>	<u>(217,031)</u>
Income Before Contributions and Transfers	<u>16,099</u>	<u>(527,522)</u>	<u>(96,520)</u>	<u>(607,943)</u>
Total Net Assets July 1, 2009	<u>5,525,245</u>	<u>20,600,156</u>	<u>302,452</u>	<u>26,427,853</u>
Prior Year Adjustment	<u>-</u>	<u>(271,374)</u>	<u>-</u>	<u>(271,374)</u>
Total Net Assets July 1, 2009, as Restated	<u>5,525,245</u>	<u>20,328,782</u>	<u>302,452</u>	<u>26,156,479</u>
Total Net Assets June 30, 2010	<u>\$ 5,541,344</u>	<u>\$ 19,801,260</u>	<u>\$ 205,932</u>	<u>\$ 25,548,536</u>

Town of Acton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2010

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 609,125	\$ 996,239	\$ 676,532	\$ 2,281,896
Payments to Employees	(140,067)	(63,287)	(441,351)	(644,705)
Payments to Vendors	(353,600)	(532,197)	(291,256)	(1,177,053)
Net Cash Flows Provided (Used) by Operating Activities	<u>115,458</u>	<u>400,755</u>	<u>(56,075)</u>	<u>460,138</u>
Cash Flows from Non Capital Related Financing Activities:	-	-	-	-
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(185,000)	-	-	(185,000)
Special Assessments	-	940,856	-	940,856
Principal Payments on Bonds	-	(687,569)	-	(687,569)
Interest Expense	-	(267,477)	-	(267,477)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(185,000)</u>	<u>(14,190)</u>	<u>-</u>	<u>(199,190)</u>
Cash Flows from Investing Activities:				
Earnings on Investments	26,978	20,008	1,011	47,997
Net Cash Flows Provided (Used) by Investing Activities	<u>26,978</u>	<u>20,008</u>	<u>1,011</u>	<u>47,997</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(42,564)	406,573	(55,064)	308,945
Cash and Cash Equivalents, July 1, 2009	<u>4,465,703</u>	<u>3,263,298</u>	<u>311,501</u>	<u>8,040,502</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 4,423,139</u>	<u>\$ 3,669,871</u>	<u>\$ 256,437</u>	<u>\$ 8,349,447</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (10,879)	\$ (282,502)	\$ (97,531)	\$ (390,912)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	111,231	729,314	-	840,545
(Increase) Decrease in Assets:				
Accounts Receivable - Customer	-	(94,569)	414	(94,155)
Increase (Decrease) in Liabilities:				
Warrants and Accounts Payable	15,106	48,512	41,042	104,660
Net Cash Provided by Operating Activities	<u>\$ 115,458</u>	<u>\$ 400,755</u>	<u>\$ (56,075)</u>	<u>\$ 460,138</u>

Town of Acton, Massachusetts
 Fiduciary Funds
 Statement of Net Assets
 June 30, 2010

	Private-Purpose <u>Trust</u>
Assets	
Cash and Cash Investments	\$ 249,169
	<hr/>
Total Assets	\$ 249,169
	<hr/> <hr/>
Liabilities	
	\$ -
	<hr/>
Net Assets	
Expendable	189,540
Nonexpendable	59,629
	<hr/>
Total Net Assets	\$ 249,169
	<hr/> <hr/>

Town of Acton, Massachusetts
Fiduciary Funds
Statement of Changes in Net Assets
Fiscal Year Ended June 30, 2010

Additions:	
Gift	\$ 350
Interest, Dividends, and Other	<u>6,748</u>
Total Additions	<u>7,098</u>
Deductions:	
Trust Distributions	<u>18,225</u>
Change in Net Assets	<u>(11,127)</u>
Net Assets:	
Beginning of the Year	<u>260,296</u>
Ending of the Year	<u><u>\$ 249,169</u></u>

Town of Acton, Massachusetts
Notes to the Financial Statements
June 30, 2010

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Acton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2010, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter. In accounting and reporting on its enterprise fund, the Town has elected to apply all Governmental Accounting Standards Board (“GASB”) pronouncements as well as Financial Accounting Standards Board pronouncements issued prior to November 30, 1989, unless those pronouncements contradict GASB pronouncements, in which case, GASB prevails.

The more significant accounting policies of the Town are summarized below.

(A) **Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Town was the only entity included in the accompanying basic financial statements.

(B) **Government-wide and fund financial statements**

The **government-wide financial statements** (i.e., the **statement of net assets** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise taxes, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

The Town reports the following major governmental funds:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – This special revenue fund is used to account for the activities prescribed by the Community Preservation Act of the Massachusetts General Laws. Expenditures are allowed for affordable housing, historic preservation and the purchase of open space.

The Town reports the following major proprietary funds:

Sanitation Fund – This fund is used to account for the activities related to trash collection.

Sewer Fund – This fund is used to account for the activities related to the sewer system.

Nursing Fund – Activities related to the Town’s nursing program are accounted for in this fund.

(D) Assets, Liabilities and Net Assets or Equity

i Deposits and Investments

The Town’s cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust “MMDT”. The Town may invest its trust funds in a wider variety of investment vehicles such as equities and bonds.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the Town’s property. In addition, the law limits the amount by which the property tax levy can be increased to 2.5% of the preceding year's levy plus any new growth.

iii Capital Assets

Capital assets, which include buildings/improvements, machinery and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10- 40
Capital Improvements (Other Than Buildings)	10-20
Infrastructure	40
Vehicles	5-15
Machinery and Equipment	5-15

iv Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid accumulated annual vacation and sick leave benefits.

v Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

vi Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the fund financial statements fund equity is comprised of the following:

Fund Balances

(a) Reserved for Encumbrances

Appropriations for certain projects and specific items not fully expended at year end are carried forward as reserved for encumbrances to the next year. At year end, reserved for encumbrances is reported as a component of fund balance.

(b) Reserved for Perpetual Permanent Funds

This account represents the non expendable portion of the Town's permanent trust funds.

(c) Designated for Subsequent Year's Expenditures

This account represents amounts transferred (by Town meeting votes) from other fund balance accounts to fund the subsequent year's budget.

vii Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

viii Warrants Payable

The balance in this account consists of those warrants approved by the Selectmen for payment between July 1, 2010 and July 15, 2010. These warrants have been recorded as expenditures during the fiscal year ended June 30, 2010 and the corresponding credit is to the account entitled warrants payable.

II Stewardship, Compliance and Accountability

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until April, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2010 adjusted for any special Town meeting votes applicable to fiscal 2010 and any reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis (fund financial statements) for the year ended June 30, 2010.

	<u>Revenues</u>
As Reported Budget Basis	\$ 75,355,405
Adjustments:	
Sixty Day Accrual - Net	(196,200)
MWPAT Subsidies	8,189
On Behalf Payments Included in Intergovernmental	3,510,078
As Reported GAAP Statement	<u>\$ 78,677,472</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 73,642,758
Adjustments:	
July 1, 2009 Encumbrances	3,353,740
June 30, 2010 Encumbrances	(2,568,211)
MWPAT Subsidies	8,189
On Behalf Payments Included in Employee Benefits	3,510,078
As Reported GAAP Statement	<u>\$ 77,946,554</u>

III **Detailed Notes on All Funds**

A. **Deposits and Investments**

i.) **Deposits**

a.) **Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2010, \$15,732,012 of the Town's bank balance of \$29,641,302 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$15,732,012

ii.) **Investments**

a.) As of June 30, 2010, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
Debt Related Securities:				
U. S. Government Obligations	\$ 568,877	\$ 122,326	\$ 216,551	\$ 230,000
Other Investments:				
Money Market Funds	2,267,463			
Equities	631,366			
Mass. Municipal Depository Trust	<u>3,349,132</u>			
Total Other Investments	<u>6,247,961</u>			
 Total Investments	 <u>\$ 6,816,838</u>			

b.) **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

c.) **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth of Massachusetts has an investment "legal list" which the Town follows. Massachusetts General Laws Chapter 44 Section 55 allows for the investment in beneficial shares of money market funds registered with the Securities Exchange Commission that have the highest possible rating from at least one nationally recognized rating organization. However the Town does not have its own formal policy regarding credit risk.

d.) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy regarding concentration risk. Currently, 100% of the Town's investments are in the State Treasurer's Investment Pool. The State Treasurer's Investment Pool is not considered a single issuer.

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Government Activities:				
Assets Not Being Depreciated:				
Land	\$ 66,950,467	\$ 38,918	\$ -	\$ 66,989,385
Intangible Assets	2,573,200		(2,573,200)	-
Construction in Progress	844,315	-	(844,315)	-
Total Capital Assets not Being Depreciated	<u>70,367,982</u>	<u>38,918</u>	<u>(3,417,515)</u>	<u>66,989,385</u>
Assets Being Depreciated:				
Buildings	41,072,339	1,025,165	-	42,097,504
Improvements Other Than Buildings	2,776,586	20,000	-	2,796,586
Infrastructure	40,723,678	797,776	-	41,521,454
Equipment	5,328,696	1,591,898	(634,990)	6,285,604
Vehicles	1,546,454	242,116	(158,558)	1,630,012
Total Capital Assets Being Depreciated	<u>91,447,753</u>	<u>3,676,955</u>	<u>(793,548)</u>	<u>94,331,160</u>
Less Accumulated Depreciation for:				
Buildings	(10,485,725)	(895,849)	-	(11,381,574)
Improvements Other Than Buildings	(1,262,831)	(118,201)	-	(1,381,032)
Infrastructure	(8,011,211)	(827,012)	-	(8,838,223)
Equipment	(3,457,081)	(404,590)	634,990	(3,226,681)
Vehicles	(948,628)	(227,760)	129,193	(1,047,195)
Total Accumulated Depreciation	<u>(24,165,476)</u>	<u>(2,473,412)</u>	<u>764,183</u>	<u>(25,874,705)</u>
Capital Assets Being Depreciated, Net	<u>67,282,277</u>	<u>1,203,543</u>	<u>(29,365)</u>	<u>68,456,455</u>
Governmental Activities Capital Assets, Net	<u>\$ 137,650,259</u>	<u>\$ 1,242,461</u>	<u>\$ (3,446,880)</u>	<u>\$ 135,445,840</u>

B. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 193,934
Public Safety	466,616
Education	628,573
Highways and Public Works	959,704
Human Services	41,000
Culture and Recreation	183,585
Total Governmental Activities Depreciation Expense	<u>\$ 2,473,412</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Assets Not Being Depreciated:				
Land	\$ 534,769	\$ -	\$ -	\$ 534,769
Total Capital Assets not Being Depreciated	<u>534,769</u>	<u>-</u>	<u>-</u>	<u>534,769</u>
Assets Being Depreciated:				
Buildings	10,163,041	-	-	10,163,041
Improvements Other Than Buildings	48,796	-	-	48,796
Infrastructure	15,760,086	-	-	15,760,086
Equipment	759,693	185,000	-	944,693
Vehicles	129,825	-	-	129,825
Total Capital Assets Being Depreciated	<u>26,861,441</u>	<u>185,000</u>	<u>-</u>	<u>27,046,441</u>
Less Accumulated Depreciation for:				
Buildings	(2,470,531)	(340,403)	-	(2,810,934)
Improvements Other Than Buildings	(203)	(2,440)	-	(2,643)
Infrastructure	(2,774,803)	(391,618)	-	(3,166,421)
Equipment	(333,475)	(90,438)	-	(423,913)
Vehicles	(53,816)	(15,646)	-	(69,462)
Total Accumulated Depreciation	<u>(5,632,828)</u>	<u>(840,545)</u>	<u>-</u>	<u>(6,473,373)</u>
Capital Assets Being Depreciated, Net	<u>21,228,613</u>	<u>(655,545)</u>	<u>-</u>	<u>20,573,068</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,763,382</u>	<u>\$ (655,545)</u>	<u>\$ -</u>	<u>\$ 21,107,837</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Sanitation	\$ 111,231
Sewer	729,314
Total Business-Type Activities Depreciation Expense	<u>\$ 840,545</u>

C. Accounts Receivable

The accounts receivable on the combined balance sheet are listed below by levy.

Governmental Activities

Property Taxes Receivable:

Real Estate Taxes

2010	\$ 331,512
2009	9,169
2008	7,965
2007	<u>6,686</u>

Total Real Estate Taxes \$ 355,332

Personal Property Taxes

2010	2,561
2009	4,719
2008	5,400
2007	4,088
2006	<u>315</u>

Total Personal Property Taxes 17,083

Other Property Taxes - Community Preservation

2010	3,884
2009	107
2008	91
2007	<u>74</u>

Total Other Property Taxes - Community Preservation 4,156

Total Property Taxes Receivable \$ 376,571

Tax Liens \$ 1,352,934

C. Accounts Receivable (Continued)

Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2010	\$ 70,162
2009	19,331
2008	13,290
2007	13,926
2006	15,496
2005	13,442
2004	<u>11,808</u>

Total Excise Tax Receivable \$ 157,455

User Charges:

Ambulance \$ 165,017

Special Assessments:

Betterment \$ 106,463

Departmental:

Police Details - General Fund	\$ 1,909
Police Details - Special Revenue Fund	20,272
Fire Details - Special Revenue Fund	16,133
Fire Alarm Network - Special Revenue Fund	<u>10,800</u>

Total Departmental Receivable \$ 49,114

Intergovernmental:

Current:

Due from Commonwealth - Various Grants	\$ 36,955
Due from Commonwealth - Highway Funds	671,750
Massachusetts School Building Authority	<u>1,009,310</u>

Total Intergovernmental - Current \$ 1,718,015

Noncurrent

Massachusetts School Building Authority \$ 12,111,711
 Total Intergovernmental - Noncurrent \$ 12,111,711

Deferred Property Taxes:

Clause 41 A Deferrals \$ 173,373

C. Accounts Receivable (Continued)

Business Type Activities:

User Charges:

Sewer Rates	\$ 103,337
Nursing	<u>57,506</u>

Total User Charges \$ 160,843

Liens:

Sewer Betterment	\$ 61,931
Sewer Betterment Committed Interest	3,008
Sewer Utility	4,583
Sewer Utility Committed Interest	<u>22</u>

Total Utility Liens \$ 69,544

Special Assessments:

Sewer - Current \$ 711,510

Sewer - Noncurrent \$ 15,421,782

D. Debt

(B) Liabilities

i Short Term Notes Payable

The Town's activity relating to short term debt instruments is detailed below:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Bond Anticipation Notes:						
School Roof	\$ -	\$ 332,000	\$ -	\$ 332,000	1.15%	6/24/2011
School Project	946,450	-	946,450	-		
School Project	297,680	-	297,680	-		
Vehicles and Equipment	<u>886,647</u>	-	<u>886,647</u>	-		
Total	<u><u>\$ 2,130,777</u></u>	<u><u>\$ 332,000</u></u>	<u><u>\$ 2,130,777</u></u>	<u><u>\$ 332,000</u></u>		

D. Debt (Continued)

ii Long Term Debt

General obligation bonds outstanding at June 30, 2010, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2010:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance 7/01/09	\$ 25,178,708	\$ 20,444,692	\$ 45,623,400
Add: New Issues	1,880,280	-	1,880,280
Refunding Issues	2,265,000	-	2,265,000
Less: Maturities	(1,799,282)	(687,569)	(2,486,851)
Refunded Debt	<u>(2,325,000)</u>	<u>-</u>	<u>(2,325,000)</u>
Balance 6/30/10	<u>\$ 25,199,706</u>	<u>\$ 19,757,123</u>	<u>\$ 44,956,829</u>

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$2,009,876	\$996,442	\$709,723	\$1,021,506
2012	2,029,920	924,560	734,600	981,090
2013	1,900,257	854,780	726,800	952,607
2014	1,851,370	786,387	782,000	892,305
2015	1,891,371	716,900	803,800	863,198
2016 - 2020	9,346,799	2,490,009	4,385,200	3,583,832
2021 - 2025	6,143,965	562,682	4,825,000	2,058,623
2026 - 2030	26,148	0	5,570,000	1,159,731
2031	<u>0</u>	<u>0</u>	<u>1,220,000</u>	<u>49,463</u>
	<u>\$25,199,706</u>	<u>\$7,331,760</u>	<u>\$19,757,123</u>	<u>\$11,562,355</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2010, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
April 13, 1988	Bridge Construction	\$600,000
April 12, 1993	Fuel Tank	250,000
April 7, 1997	Title V Septic	25,695
April 6, 2009	School Roof Replacement	664,102
April 5, 2010	School Feasibility Study	<u>725,000</u>
	Total	<u>\$2,264,797</u>

D. Debt (Continued)

iii Refunding of Long Term Debt

On November 1, 2009 the Town issued \$2,265,000 of general obligation refunding bonds with an average interest rate of 3.04% to advance refund \$2,325,000 of outstanding debt with an average interest rate of 4.88%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased.

(a) Changes in Cash Flow Requirements

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>	<u>Difference Favorable (Unfavorable)</u>
2010	\$438,562	\$355,104	\$83,458
2011	423,288	394,300	28,988
2012	407,850	377,600	30,250
2013	367,250	342,850	24,400
2014	267,700	243,850	23,850
2015	256,950	230,450	26,500
2016	246,200	222,250	23,950
2017	225,450	201,100	24,350
2018	<u>210,200</u>	<u>185,400</u>	<u>24,800</u>
	<u>\$2,843,450</u>	<u>\$2,552,904</u>	<u>\$290,546</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General	\$ 201,629	\$ (507,750)	\$ (306,121)
Community Preservation Fund	581	(45,038)	(44,457)
Non-Major Governmental	573,253	(227,625)	345,628
Agency Fund	4,950	-	4,950
	<u>780,413</u>	<u>(780,413)</u>	<u>-</u>
Total Operating Transfer In/(Out)	<u>\$ 780,413</u>	<u>\$ (780,413)</u>	<u>\$ -</u>

IV Other Information

A. Pension Plans

a) Plan Description

The Town provides pension benefits to employees by contributing to the Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Massachusetts. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits. The system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. The report may be obtained by writing to Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Teachers and certain school administrators participate in the Massachusetts Teachers' Retirement System (MTRS). The Town does not contribute to the MTRS.

b) Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contributions for the years ending June 30, 2010, 2009 and 2008 were \$2,390,614, \$2,320,847 and \$2,119,378 respectively, equal to the required contributions each year.

c) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" that were effective for the Town as of June 30, 2009. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), is presented following the notes to the financial statements.

- a. **Plan Description.** In addition to providing pension benefits described above, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town's retirees who meet the eligibility criteria are eligible for post retirement medical benefits. Currently there are 395 active employees and 249 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.

- b. **Funding Policy.** The Town pays 50% of the total premiums for health insurance and life insurance policies. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time by local law, within the constraints of Massachusetts General Laws.
- c. **Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year ended June 30, 2010, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$4,206,766
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	<u>4,206,766</u>
Contributions Made	<u>(1,364,520)</u>
Increase in Net OPEB Obligation	2,842,246
Net OPEB Obligation (NOO)- Beginning of Year	<u>2,813,346</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$5,655,592</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for the past two years are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$3,983,119	29.4%	\$2,813,346
2010	\$4,206,766	32.4%	\$5,655,592

- d. **Funded Status and Funding Progress.** As of December 31, 2007, the most recent actuarial valuation date, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$48,495,069, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$48,495,069.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

- e. **Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the

plan members) and considers the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and annual healthcare cost trend rates of 10 percent initially, reduced by decrements of 0.75% annually for 6 years and 0.50% for one year to an ultimate rate of 5 percent. The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year amortization period.

B. On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the Town is required to recognize, as income, certain payments made on behalf of the Town by the Commonwealth of Massachusetts. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2010, the Commonwealth paid \$3,510,078 to the State Plan on behalf of employees of the Town. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2010, or fund balance/net assets at June 30, 2010.

C. Risk Financing

The Town is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, injuries to employees, employee's health and life and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceeded \$1,000 per incident.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2010.

The Town participates in a self-insurance pool for health care benefits. The pool includes the Town of Acton and the Acton-Boxborough Regional School District. The claims administration contract holds all participants jointly and severally liable for claims paid.

The pool provides health care coverage for all active and retired employees that qualify for and select health care coverage as an employee benefit. Active and retired employees participating in the pool pay a percentage of an estimated health insurance premium. The contribution percentage for active employees is 15%. All retired employees pay 50% of the established premium.

Health benefits include Master Health Plus, HMO Blue, and Medex offered by Blue Cross Blue Shield of Massachusetts, as well as Harvard Pilgrim HMO offered by Harvard Pilgrim Health Care,

Blue Cross and Blue Shield and Harvard Pilgrim Health Care administer the claims program for the pool. The pool pays in a standard monthly amount towards claims incurred. Annually, actual claims payable, (or prepaid claims deposits) are established by adjusting for actual claims and estimated claims incurred but not reported. The pool's expenses are for actual claims incurred, excess claims insurance coverage and administrative costs for the plan administrators. Excess claims insurance coverage is purchased to cover any medical claims in excess of \$110,000, to a lifetime maximum amount payable of \$1,000,000.

As of June 30, 2010, the Acton Health Insurance Trust had total assets of \$5,637,339, total liabilities of \$2,676,211 (including \$915,000 estimated benefits obligations), and a total net assets of \$2,961,128.

D. Subsequent Year Authorizations

The Town's annual Town meeting was held on April 5, 2010. Several special Town meetings were held subsequently to modify the fiscal year 2011 budget. Fiscal 2011 budgetary amounts which are not reflected (except for designated for subsequent year's expenditures) in the accompanying financial statements will be financed by the following sources:

2011 Property Taxes, State Aid and Non-Property Tax Revenue	\$ 76,793,290
Enterprise Fund Revenues	2,969,617
Enterprise Fund Retained Earnings	990,322
Community Preservation Fund Estimated Taxes	970,000
Community Preservation Fund - Fund Balance	1,173,663
Other Available Funds	33,000
General Fund Unreserved Fund Balance	388,651
Reserved for Subsequent Year's Expenditures: (Reflected on Balance Sheet)	
Non-Major Funds	90,618
General Fund	1,266,424
	<u>\$ 84,675,585</u>

E. Prior Period Adjustment

Prior period adjustments were made as follows:

Governmental Activities

1. Remove intangible asset that did not meet the criteria of GASB 51	(\$2,573,200)
2. Reduction in the accrual of the Massachusetts School Building Authority accounts receivable	(2,088)
	<u>(\$2,575,288)</u>

Business Type Activities

Reflect unearned income (credit due to customer) on a sewer betterment	(\$271,374)
	<u>(\$271,374)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Town of Acton, Massachusetts
Required Supplementary Information
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 63,477,493	\$ 63,171,643	\$ 63,580,176	\$ 408,533
Tax Liens	-	-	372,152	372,152
Excises	2,595,200	2,595,200	2,514,503	(80,697)
Penalties and Interest	151,171	151,171	185,509	34,338
Licenses and Permits	294,100	294,100	196,224	(97,876)
Fees and Other Departmental	371,600	371,600	473,940	102,340
Intergovernmental	7,505,276	7,505,276	7,513,450	8,174
Charges for Services	19,130	19,130	23,779	4,649
Fines and Forfeits	162,400	162,400	152,218	(10,182)
Earnings on Investments	315,000	315,000	192,745	(122,255)
In Lieu of Taxes	12,328	12,328	11,934	(394)
Miscellaneous	58,244	58,244	138,775	80,531
	<u>74,961,942</u>	<u>74,656,092</u>	<u>75,355,405</u>	<u>699,313</u>
<u>Expenditures</u>				
General Government	5,499,056	5,549,056	5,538,129	10,927
Public Safety	6,093,118	6,160,290	5,944,539	215,751
Education	49,882,219	49,576,369	49,312,726	263,643
Highway and Public Works	2,704,040	2,704,040	2,273,951	430,089
Health and Human Services	1,108,971	1,108,971	918,772	190,199
Culture and Recreation	1,182,680	1,182,680	1,108,664	74,016
Intergovernmental	225,654	225,654	232,927	(7,273)
Employee Benefits	6,273,921	6,223,921	5,455,257	768,664
Debt Service	3,111,636	2,882,888	2,857,793	25,095
	<u>76,081,295</u>	<u>75,613,869</u>	<u>73,642,758</u>	<u>1,971,111</u>
<u>Other Financing Sources and (Uses)</u>				
Transfers In	142,623	142,623	201,629	59,006
Transfers Out	(165,000)	(507,750)	(507,750)	-
Budgetary Fund Balance	1,141,730	1,322,904	1,322,904	-
	<u>1,119,353</u>	<u>957,777</u>	<u>1,016,783</u>	<u>59,006</u>
Excess (Deficiency) Of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,729,430</u>	<u>\$ 2,729,430</u>

Required Supplementary Information
Middlesex Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ration (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1996	\$ 373,750,361	\$ 634,920,488	\$ 261,170,127	58.87%	\$ 218,345,024	119.61%
1/1/1998	476,708,969	763,093,878	286,384,909	62.47%	215,380,186	132.97%
1/1/2000	570,263,467	905,280,472	335,017,005	62.99%	253,228,818	132.30%
1/1/2002	599,699,143	1,020,828,178	421,129,035	58.75%	280,740,439	150.01%
1/1/2004	618,163,380	1,223,828,127	605,664,747	50.51%	306,025,949	197.91%
1/1/2006	653,156,866	1,364,582,969	711,426,103	47.86%	330,999,861	214.93%
1/1/2008	774,863,669	1,529,806,307	754,942,638	50.65%	360,206,302	209.59%

Required Supplementary Information
Middlesex Retirement System
Schedule of Employer's Contributions

System Wide				Town of Acton	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Town's Percentage of System Wide Actual Contributions (B/A)
2001	\$27,900,209	\$ 27,900,209	100.00%	\$ 629,105	2.25%
2002	30,248,147	30,248,147	100.00%	661,330	2.19%
2003	35,411,500	35,411,500	100.00%	748,446	2.11%
2004	52,902,366	52,902,366	100.00%	780,178	1.47%
2005	52,298,150	52,298,150	100.00%	923,751	1.77%
2006	60,169,717	60,169,717	100.00%	1,037,884	1.72%
2007	64,664,829	64,664,829	100.00%	1,171,886	1.81%

Town of Acton, Massachusetts
 Required Supplementary Information - GASB 45
 Schedule of Funding Progress
 June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
12/31/07	\$0	\$48,495,069	\$48,495,069	0%	\$10,500,000	461.9%

Required Supplementary Information - GASB 45

Town of Acton, Massachusetts

Valuation Details

Fiscal Year Ended June 30, 2010

Valuation Date	December 31, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Payments Increasing at 3.5%
Remaining Amortization Period	28 years
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	4.5%, per annum
Inflation Rate	3.5%
Health Care Trend Rates	10.0% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.00% per year.

Plan Membership:

Current retirees, beneficiaries, and dependents	249
Current active members	<u>395</u>
Total	<u>644</u>

Town of Acton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2010

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(B) Pension Plans

1. Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

2. Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information.

The schedules presented relate to the Middlesex Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

3. Actuarial Assumptions

Actuarial Cost Method	Entry age normal cost method.
Amortization Method	Level dollar for the 1992, 2002, and 2003 Early Retirement Incentives (ERI) liability and 4.5% increasing for the remaining unfunded liability.
Remaining Amortization Period	As of July 1, 2006, 4 years remaining for the 1992 ERI liability; 13 years remaining for the 2002 ERI liability; 14 years remaining for the 2003 ERI liability and 22 years for the remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period as described by revenue procedure 2000-40.

Actuarial Assumptions:

Investment Rate of Return	8.25%
Projected Salary Increases	4.00% for the next 4 years; then 4.75% for Group 1 and 5.25% for Group 4
Cost of Living Adjustments	3.00% of the first \$12,000 of retirement income

Plan Membership:

Retired Participants and Beneficiaries Receiving Benefits	4,763
Inactive Participants Entitled to a Return of their Employee Contributions	3,080
Invested Participants with a Vested Right to a Deferred or Immediate Benefit	78
Active Participants	<u>9,106</u>
Total	<u>17,027</u>

(C) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” that are effective June 30, 2010. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis.

- a. **Plan Description.** The Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town's retirees receiving a pension from the Middlesex Retirement System are eligible for post retirement medical benefits. Currently there are 395 active employees and 249 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.

- b. **Funding Policy.** The Town pays 50% of the total premiums for health and life insurance policies. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time by local laws, within the constraints of Massachusetts General Laws.

Town of Acton, Massachusetts
Schedule of Federal Financial Assistance
Fiscal Year Ended June 30, 2010

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
National School Lunch Program	10.555	\$ 65,958
Total U.S. Department of Agriculture		<u>65,958</u>
<u>U.S. Department of Justice</u>		
Enforcement of Protection Orders	16.590	7,101
Bullet Proof Vest	16.607	650
Community Police	16.710	13,805
Total U.S. Department of Justice		<u>21,556</u>
<u>U.S. Department of Education</u>		
Title I	84.010	61,332
SPED PL 94-142 Allocation	84.027	549,111
SPED Early Childhood	84.173	21,988
ARRA - IDEA	84.391	286,963
ARRA - State Fiscal Stabilization Fund	84.394	35,681
Total U.S. Department of Education		<u>955,075</u>
<u>U.S. Department of Health and Human Service</u>		
Public Health Emergency Preparedness	93.069	22,798
Total U.S. Department of Health and Human Service		<u>22,798</u>
<u>U.S. Department of Homeland Security</u>		
Assistance to Firefighters	97.044	101,165
Total U.S. Department of Homeland Security		<u>101,165</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 1,166,552</u></u>

Town of Acton, Massachusetts
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

(1) Scope of Audit

The Town of Acton, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All federal grant operations of the Town are included in the scope of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The single audit was performed in accordance with the provisions of OMB's Circular A-133, *Compliance Supplement*.

(2) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes all of the federal grant transactions of the Town.

Federal grant revenues are recognized in the Town's governmental funds on the modified accrual basis of accounting whereby revenue is recognized when it becomes available and measurable.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT *AUDITING STANDARDS*

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

We have audited the basic financial statements of the Town of Acton, Massachusetts as of and for the year ended June 30, 2010, and have issued our report thereon dated April 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Acton, Massachusetts's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Acton, Massachusetts's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Acton, Massachusetts's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Acton, Massachusetts's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Acton, Massachusetts's financial statements that is more than inconsequential will not be prevented or detected by the Town of Acton, Massachusetts's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Acton, Massachusetts's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Acton, Massachusetts's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Acton, Massachusetts in a separate letter dated May 5, 2011.

The report is intended solely for the information and use of management and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
April 14, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

Compliance

We have audited the compliance of the Town of Acton with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Town of Acton's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Acton's management. Our responsibility is to express an opinion on the Town of Acton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Acton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Acton's compliance with those requirements.

In our opinion, the Town of Acton, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Town of Acton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Acton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Acton's, internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
April 14, 2011

Town of Acton, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

I. Summary of Auditors' Results

1. The opinion on the Towns financial statements was unqualified.
2. No significant deficiencies in internal control were reported.
3. No instances of noncompliance that are material to the financial statements were reported.
4. No significant deficiencies relating to a major program were reported.
5. The opinion on compliance with requirements applicable to major programs is unqualified.
6. No findings related to a major federal award program were reported.
7. The major programs identified were:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA#</u>
U.S. Department of Education	SPED - IDEA Allocation	84.027
U.S. Department of Education	Early Childhood	84.173
U.S. Department of Education	ARRA - IDEA	84.391

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as low risk.

II Findings- Financial Statement Audit

There were no findings reported relating to the financial statement audit.

III Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs reported related to federal awards.